ATLANTIC Report

Spring 2009

Vol. 44, No. 1

Major Projects Inventory 2009: Public Stimulus Key to Sustaining Investment

p. 2

Atlantic Overview
p. 8

Provincial Reports
p. 10

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The Atlantic Provinces Economic Council (APEC) is an independent, not-for-profit, research and public policy organization that seeks to advance the economic development of the Atlantic Region. APEC's revenue is derived primarily from membership, funded research and sponsorships. Our membership includes individuals, small and large companies, labour groups, academic institutions, municipalities and government agencies.

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About this Report

Atlantic Report is published quarterly by the Atlantic Provinces Economic Council (APEC).

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Every effort is made to ensure accuracy in analysis and reporting: the material in this issue of Atlantic Report is based on information obtained as of June 5, 2009.

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Atlantic Report
Highlights

Major Projects Inventory 2009: Public Stimulus Key to Sustaining Investment

- The 26th edition of APEC's Major Projects Inventory identifies 329 major investment projects in various stages of development across Atlantic Canada.

- The total value of these projects is $86 billion, up 13% over last year's Inventory. A large share of this increase is due to higher cost estimates for two big proposed projects but there are also several new projects in the Inventory.

- The economic downturn has significantly altered the environment for major projects investment in Atlantic Canada in the past year. Many private projects have stalled or been cancelled because of such factors as lower product demand, softer commodity prices and more difficult access to credit. However, many ongoing projects are benefiting from a drop in material and labour costs. Several large private projects that were well advanced continue to move forward, providing important support to the region's economy. In addition, the number of public projects rose notably as governments attempted to provide some economic stimulus.

- As a result, total current-year investment spending on major projects in Atlantic Canada is up about 9% in 2009. APEC expects major project capital expenditure to increase further in 2010.

- Without new project approvals, investment activity in the Maritimes may weaken after 2010 as existing mega-projects are completed. But investment in Newfoundland and Labrador should remain strong until the end of 2011, at which point the Lower Churchill hydroelectricity project and the Hebron oil project are expected to ramp up.

Atlantic Canada Overview

- The recession is clearly having an impact in Atlantic Canada with most economic indicators for early 2009 weaker than in 2008. However, the declines in the Atlantic region are generally not as sharp as those observed nationally.

- The recession has adversely affected Atlantic provincial finances with the three Maritime provinces forecasting weaker budget balances for fiscal 2008/2009 than a year ago and all four Atlantic provinces budgeting larger deficits or smaller surpluses for the current fiscal year.

- Own-source revenues in Atlantic Canada are expected to fall by 11% in the current fiscal year, with significant reductions in resource revenues and a 5% drop in personal income tax receipts. By contrast, federal transfers are higher across the region.

- On the expense side, there are generous increases in spending on health care and education; higher pension fund contributions ($800 million across the four provinces); and a 48% jump in provincial capital spending as Atlantic governments try to support their economies and access federal stimulus funding.

Major Projects Inventory 2009: Public Stimulus Key to Sustaining Investment

Note: A detailed list of the Major Projects Inventory 2009, along with a searchable version of the Inventory, is available for APEC members on the APEC member website at www.apec-econ.ca.

The 26th edition of APEC's Major Projects Inventory identifies 329 major investment projects in various stages of development across Atlantic Canada. These projects include multi-billion-dollar energy projects, public infrastructure and large-scale housing developments. The total value of these projects is $86 billion, up 13% over last year's Inventory. A large share of this increase is due to higher cost estimates for the proposed Lower Churchill hydroelectricity project (+$4 billion) and the planned second refinery in Saint John (+$1 billion). There are also new projects in the Inventory with the largest being a proposed refinery expansion in Newfoundland and Labrador ($2 billion).

The economic downturn has significantly altered the environment for major project investment in Atlantic Canada in the past year. Many private projects have stalled or been cancelled because of such factors as lower product demand, softer commodity prices and more difficult access to credit. However, many ongoing projects are benefiting from a drop in material and labour costs. Several large private projects that were well advanced continue to move forward, providing important support to the region's economy. In addition, the number of public projects rose notably as governments attempted to provide some economic stimulus.

As a result, current-year investment spending on major projects in Atlantic Canada is up about 9% in 2009. Growth in spending will be strongest in Nova Scotia (+23%) thanks in large part to spending on the Deep Panuke project and stronger public sector spending and in Newfoundland and Labrador (+20%) as work on the Voisey's Bay nickel processing facility gets underway and spending in the offshore ramps up. Capital activity in Prince Edward Island will be up slightly in 2009 as growth in government infrastructure spending will offset the completion of a large wind project. Investment in New Brunswick will be down 13% as most of the spending on the Brunswick Pipeline occurred in 2008 and spending on the Canaport LNG project is lower this year.

Credit and Market Demand Challenges

A more challenging financing environment has been a major negative influence on private projects this year. Property developers frequently noted that for both residential and commercial projects, lenders were requiring a

Atlantic Canada Major Projects Inventory

Total Inventory Value

- APEC has identified 329 major projects in various stages of development across Atlantic Canada. The total value of these projects is $86 billion, up 13% over last year's Inventory.
- Newfoundland and Labrador accounts for the largest share of the Inventory (45%), followed by New Brunswick (28%), Nova Scotia (25%), and Prince Edward Island (3%).

Investment by Sector

- Energy-related projects continue to dominate potential investment in Atlantic Canada accounting for nearly $53 billion or 61% of the total Inventory value. This includes activity in offshore, electricity generation and energy-related projects in the manufacturing sector such as the second Saint John oil refinery, the Keltic petrochemical plant and liquefied natural gas facilities.
- Energy-related projects account for the largest share of current-year spending at 40%. However, public sector projects also play an important role with longer-term infrastructure investment supplemented with new stimulus spending.
- Total current-year spending is up about 9% in Atlantic Canada in 2009 due to sizeable increases in public sector investment. Private sector spending in the region is down 4%, but Newfoundland and Labrador and Nova Scotia will see increases due to higher spending in the offshore.

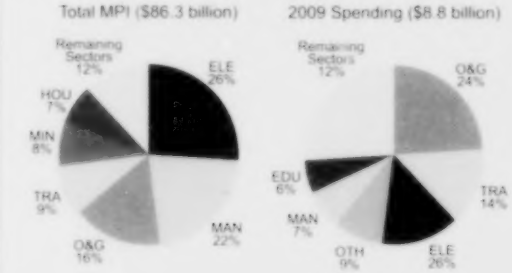
Public Sector Stimulus

- Public spending is expected to grow by over $900 million this year in Atlantic Canada as federal and provincial stimulus packages begin to take shape. However, delays in project approval could push back some of this spending into 2010.
- Nova Scotia is expected to receive the largest increase (53%) in public sector major project spending in 2009, led by education, transportation and water/wastewater upgrades. Newfoundland and Labrador and Prince Edward Island are also expected to see growth of over 40% this year. Growth in New Brunswick is strong at 15% but is muted in part due to the large value of the Point Lepreau refurbishment and additional federal money is still likely to be announced this summer.
- The majority (80%) of the jump in public sector spending in 2009 is on transportation, education (schools, colleges and universities) and broad infrastructure programs with each expected to be up over $250 million this year.

Private Sector Investment

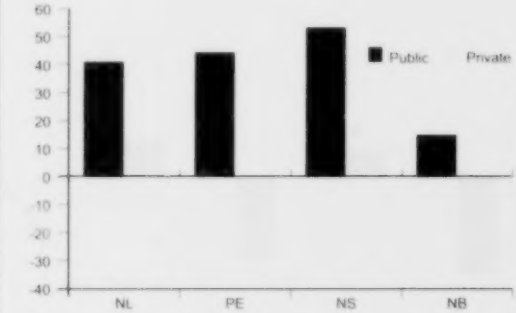
- Private investment in 2009 will be led by increased spending in the oil and gas sector as projects like Deep Panuke and the White Rose expansion pick up steam. Investment in manufacturing is also higher due to the start of work on the nickel processing plant in Newfoundland and Labrador. Major project investment in housing is up but half of this reflects public funds for affordable housing.
- Spending in the remaining private-sector categories will be weaker. This is especially evident in proposed wind power and mining investment in the region. The decline in wind power spending is due largely to the impact of credit markets which has delayed several proposed projects in Nova Scotia and New Brunswick. The drop off in mining activity is due to the rapid decline in commodity prices which has delayed exploration and planned developments.

Energy-Related Projects Dominate Major Projects Inventory
Share of Major Projects Inventory (MPI) value by sector (%)



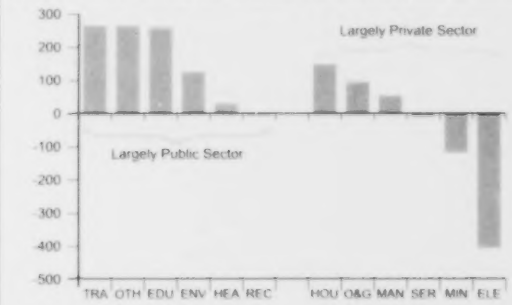
Note: sectors defined on page 5 — Source: APEC Major Projects Inventory 2009

Public Sector Providing Investment Support in Every Province
Change in the value of current-year major projects investment by sector, 2008-2009 (%)



Source: APEC Major Projects Inventory 2009

Public Sector Stimulus Spending Focused on Transportation, Education and Other Infrastructure
Change in current-year major project spending by sector, 2008-2009 ($ millions)



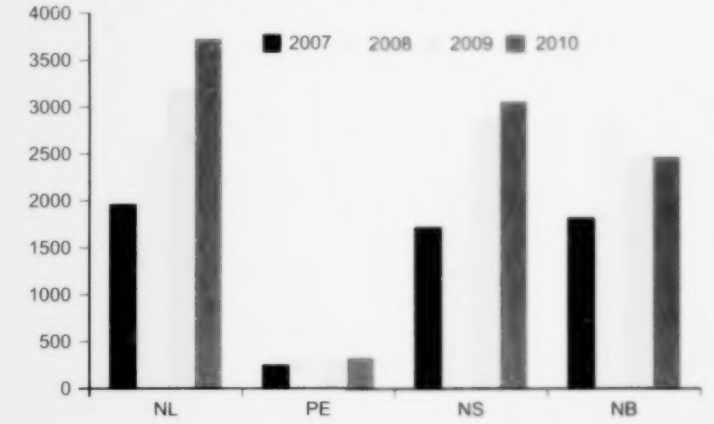
Note: sectors defined on page 5 — Source: APEC Major Projects Inventory 2009

greater proportion to be pre-sold before qualifying for financing. This was compounded by a fall in consumer confidence which led to greater hesitation among home buyers. Consequently, residential developments are taking longer to sell and build out.

For example, two Charlottetown condominium projects were put on hold because of financing scarcity and the new RCMP headquarters in Dartmouth was delayed because higher financing costs pushed contractors' bids over budget. As well, a number of wind projects in New Brunswick and Nova Scotia are currently stalled because of the tough financing environment. The Come By Chance refinery expansion in Newfoundland and Labrador was delayed until credit markets rebound.

Overall Investment Spending Up Despite the Recession

Estimated value of current year major project investment spending($m)



Source: APEC Major Projects Inventory 2009

Lower global commodity prices caused several large Atlantic projects to be delayed or cancelled, most notably the postponing of an $800 million expansion in Labrador by the Iron Ore Company of Canada. Acadian Mining shut down its Nova Scotian projects due to a collapse in prices for lead and zinc, and a lack of available funding. The Kennetcook shale gas project in Nova Scotia was delayed because of low energy prices and the scarcity of investors in this sector.

However, several large energy and mining projects continue to propel the Atlantic economy forward, chiefly the Deep Panuke offshore project in Nova Scotia, Potash Corp.'s mine expansion in New Brunswick, along with the White Rose expansion and the Vale Inco processing facility both in Newfoundland and Labrador.

Cost Pressures Ease

After several years of rapidly rising material costs, lower commodity prices have reduced cost pressures as material prices across the region either fell or stabilized. For example, the Nova Scotia Justice Department estimated that soaring costs led to a 50% increase in square foot construction costs of its justice centres since 2005, though their costs have plateaued for now. Government planners also noted that large road projects benefited from lower prices for liquid asphalt, sparked by lower oil prices. Similarly, lower metal prices were reflected in cheaper copper wiring and other metals used in construction, while developers using timber frame construction saw a drop in lumber prices.

Also helping ease project costs is a generally higher availability of labour across the region. This marks a sharp contrast to last year when projects were being delayed due to a lack of workers. Many Atlantic developers reported that workers were returning home after years in Ontario or the Alberta oil patch, either because of a dearth of work in those areas or to spend their final working years before retirement in their home provinces. While there may be a large number of unskilled workers available, some developers still complain of a scarcity of skilled trades people such as electricians and plumbers. Many available workers are older, and the lack of younger skilled workers suggests the scarcity of skilled labour could significantly worsen in coming years, especially as economic activity picks up.

An improvement in the speed of regulatory approval was reported in some sectors. Energy project proponents in Newfoundland and Labrador reported a positive regulatory environment and in Nova Scotia an energy project developer said environmental oversight had become less onerous in recent years as provincial regulators became more familiar with standards in other jurisdictions. As well, single-window meetings with the province and the federal government have quickened the development process.

Public Stimulus

Economic stimulus spending has proven difficult to measure, particularly the level of tangible activity. Rather than falling under the umbrella of a cohesive strategy, the urgency that governments have placed on "shovel ready" initiatives has led to announcements on a project-by-project basis, with funding through any number of different programs. Generally, the stimulus projects fall into three

broad infrastructure categories: transportation, education and improving quality of life (eg. recreational facilities, hospitals, and environmental projects). Transportation, education and infrastructure spending are each up about $250 million this year.

Despite the eagerness to fast-track these projects, delays have still occurred because of the time required to establish appropriate oversight and approval processes. The desire to rapidly advance projects has created some challenges for certain government departments, as offices already working at capacity attempt to quickly bring online a number of new projects. The fact that many of these projects continue to be announced late into the tendering season could hinder their ability to start on a timely basis, and so completion dates may be pushed back into 2011. In Nova Scotia the late spring budget and ensuing provincial election have delayed many of that province's public projects.

Looking Ahead

APEC expects current-year capital expenditure to increase further in 2010 led by growth in offshore and mining activity in Newfoundland and Labrador and increasing public infrastructure spending throughout the region as stimulus projects continue to ramp up.

Beyond 2010 investment activity in the Maritimes may weaken as existing mega-projects are completed. However, approval of either the New Brunswick refinery project ($8 billion) or the $5 billion Keltic petrochemical and $700 million Maple LNG projects in Nova Scotia would provide a significant boost into the next decade. In Newfoundland and Labrador the White Rose expansion and the new Voisey's Bay processing facility will support growth until the end of 2011, with both the Lower Churchill hydroelectricity project ($10 billion) and the Hebron oil project ($5 billion) anticipated to ramp up around that time. A recovery in global economic activity and improvement in credit markets will be supportive for such investment activity but securing the required skilled labour will remain a challenge if all these projects move ahead.■

About the Major Projects Inventory

APEC produces an annual project-by-project inventory of the major investment projects proposed for Atlantic Canada. A major project is defined as any capital project valued at $25 million or more ($10 million or more in Prince Edward Island). Most are projects designated to begin construction in 2009 or beyond, although some projects have already started. Larger projects without an identified value are listed for reference. APEC has made every effort to ensure the accuracy of the information presented. Readers requiring information or wishing to comment on the Inventory should contact the APEC research staff (see inside cover).

Projects are categorized into 12 major sectors:

EDU - **education and research** capital spending including schools, universities, colleges and research institutes

ELE - **electricity** generation, distribution and electric utility capital spending

ENV - **environmental** infrastructure spending including water and wastewater investment, site cleanups and programs supporting environmental infrastructure initiatives

HEA - **health care** infrastructure including hospitals and long-term care facilities

HOU - **housing**, including large scale developments of apartments, condos, townhouses, single family dwellings, social housing, or a combination of these types of housing

MAN - **manufacturing and other primary** capital spending which includes industrial construction by manufacturing and primary industries (other than oil and gas and mining).

MIN - **mining** industry capital spending including new mine development, expansions to existing mines and mineral exploration

O&G - **oil and gas** capital spending including offshore and onshore oil and gas exploration, extraction and distribution

OTH - **other public infrastructure** projects including broad federal infrastructure programs, defense infrastructure, justice facilities, and government office buildings

REC - **recreation and tourism** infrastructure including recreation facilities (rinks, pools, multipurpose facilities) and tourism developments (hotels, resorts, golf courses, arts and entertainment)

SER - **other services** including capital investment in telecommunications, retail and commercial construction

TRA - **transportation** infrastructure spending including highways, bridges, airports, ports, rail and public transit

APEC also categorizes projects based upon their stage of development:

Underway or approved – These projects are already underway or have been approved to begin soon.

Near approval – These are projects nearing approval but require some final component (such as financing or regulatory approval) to be resolved.

Under development or review – These projects have passed the proposal stage and are under review. Feasibility studies, drilling tests, engineering studies and other technical analysis are being conducted to finalize the details and viability of the project.

Proposal stage – These projects are in the proposal stage or are projects for which there is some economic rationale but no detailed proposal.

Newfoundland and Labrador Major Projects Inventory

Summary – All Projects

- APEC has identified 86 projects totaling $38.7 billion. This value is up 5% over last year's inventory. A majority of this increase is due to the revised value of the Lower Churchill hydro project (now $10 billion) and the inclusion of a proposed refinery expansion at Come-by-Chance ($2 billion).
- The largest projects in the inventory are the Lower Churchill Hydro development, the Hebron oil field ($5 billion) and the White Rose oilfield expansion ($3.5 billion).
- Energy-related projects (oil and gas, electricity and other related projects) account for two-thirds of total potential major project investment in the province.

Current-Year Spending

- The value of current-year spending in 2009 is up 20% to $3.2 billion. The increase is mainly due to increased spending in the offshore, the start of work on the Vale Inco processing facility and rising infrastructure spending.
- The projects with the greatest expenditures in 2009 are the White Rose expansion, the Vale Inco project, and capital expenditures for existing offshore projects.
- The oil and gas sector dominates current-year spending at 44%.
- Current-year spending should increase further in 2010 as construction of the Vale Inco processing facility ramps up.

Projects to Watch

- Final agreement with the province to develop the Hibernia South expansion is expected this year.
- The next step in the Hebron project (environmental impact statement and development plan) are expected before the end of this year.
- A decision to move ahead with the Lower Churchill hydroelectric project could come in 2010.

Projects by Industry *$ millions*

	2009	2010+
Oil and Gas	1,420	9,000
Manufacturing/other primary	390	4,300
Other public infrastructure	281	1,066
Transportation	255	2,051
Electricity	155	12,765
Education and research	151	99
Housing	140	833
Mining	129	4,655
Health	123	388
Other services	85	40
Environmental infrastructure	73	226
Recreation/tourism	14	102
Total	**3,216**	**35,525**

Projects by Stage of Development *$ millions*

	2009	2010+
Underway/Approved	3,179	6,982
Near Approval	37	1,243
Under Development/Review	0	22,805
Proposal stage	0	4,495
Total	**3,216**	**35,525**

Prince Edward Island Major Projects Inventory

Summary – All Projects

- APEC has identified 38 projects totaling $2.3 billion. The value of the inventory is up 58% over last year due to the new provincial wind energy plan and the reintroduction of five year capital budgets.
- The largest projects in the inventory are the province's wind energy plan ($1.1 billion) and the five-year transportation capital plan ($267 million).
- The electricity sector accounts for 45% of all potential investment in the province.

Current-Year Spending

- The value of current-year spending in 2009 is up 3% to about $321 million. An increase in public infrastructure spending will offset lower spending on wind power projects.
- The projects with the greatest expenditures in 2009 are provincial transportation capital spending, infrastructure program spending, work on the Charlottetown hospital and the Confederation Court complex.
- The public sector accounts for 64% of spending in 2009, the highest share in the region.
- Current-year investment in 2010 should edge up slightly due to higher infrastructure program spending.

Projects to Watch

- The timing of the role-out of infrastructure funds will be important to Prince Edward Island as public investment accounts for such a large share of proposed spending.
- Expansion of wind production could provide a significant boost over the next few years but an expansion to the off-Island transmission capacity will be required.

Projects by Industry *$ millions*

	2009	2010+
Electricity	78	945
Transportation	64	315
Other public infrastructure	45	171
Education and research	39	76
Health	27	83
Environmental infrastructure	20	90
Recreation/tourism	20	180
Housing	16	19
Other services	15	24
Manufacturing/other primary	5	60
Mining	0	0
Oil and Gas	0	0
Total	**329**	**1,963**

Projects by Stage of Development *$ millions*

	2009	2010+
Underway/Approved	303	664
Near Approval	26	850
Under Development/Review	0	289
Proposal stage	0	160
Total	**329**	**1,963**

Nova Scotia Major Projects Inventory

Summary – All Projects

- APEC has identified 119 projects totaling $21.2 billion. This is a 2% increase in value over last year's Inventory due to new or expanded infrastructure programs.
- The largest projects in the Inventory are the Keltic petrochemical plant ($5 billion), a possible third Halifax bridge ($1.1 billion) and the Bedford West housing development (est. $1 billion).
- The manufacturing sector (27%) accounts for the largest share of the Inventory value due to the petrochemical project.

Current-Year Spending

- The value of current-year spending on projects is up 23% in 2009 to $2.7 billion due to increased spending on the Deep Panuke project and other offshore activity and a ramp-up in infrastructure spending.
- The projects with the largest expenditures in 2009 are the Deep Panuke project and provincial transportation capital spending.
- Public sector projects account for the largest share of current-year spending (38%) followed by energy-related projects (35%).
- Current-year spending in 2010 should grow strongly led by an acceleration of infrastructure investment and higher spending on renewable electricity projects.

Projects to Watch

- The HRM by Design plan is expected to be approved this summer which could help several Halifax residential and commercial projects move forward this year.
- Three large projects (Keltic petrochemical plant, Maple LNG and the Melford container terminal) are all near final approval. Annoucements to proceed would provide a significant boost to investment in the province.

Projects by Industry *$ millions*

	2009	2010+
Oil and Gas	524	1,374
Transportation	475	2,545
Electricity	366	844
Housing	299	3,892
Other services	259	794
Other public infrastructure	252	932
Education and research	232	540
Health	137	202
Environmental infrastructure	112	441
Recreation/tourism	63	765
Manufacturing/other primary	20	5,720
Mining	0	425
Total	**2,739**	**18,474**

Projects by Stage of Development *$ millions*

	2009	2010+
Underway/Approved	2,695	7,024
Near Approval	44	7,929
Under Development/Review	0	1,541
Proposal stage	0	1,980
Total	**2,739**	**18,474**

New Brunswick Major Projects Inventory

Summary – All Projects

- APEC has identified 86 projects totaling $24.1 billion. The Inventory value is 23% higher than last year, due to the proposed energy corridor, increased estimates for the second oil refinery, new highway projects and a planned solar cell plant.
- The largest projects are the proposed second refinery ($8 billion), a second nuclear power plant ($4 billion), the energy corridor ($2 billion) and the new potash mine near Sussex ($1.7 billion).
- Energy-related projects account for 71% of all potential investment, the highest share in the Atlantic region.

Current-Year Spending

- The value of current-year spending in 2009 is down 13% to $2.5 billion. Most of the spending on the Brunswick Pipeline project occurred in 2008 and spending on the Canaport LNG project is lower this year.
- The projects with the greatest expenditures in 2009 are the Point Lepreau refurbishment, the potash mine expansion and highway infrastructure spending.
- Public sector capital spending accounts for 60% of current-year spending in 2009.
- Current-year spending in 2010 is likely to be similar to 2009 as work on the Lepreau reactor wraps up but infrastructure spending increases. Any preliminary spending on the second refinery in Saint John could provide a boost.

Projects to Watch

- A decision to move ahead with the new Saint John refinery could come late in 2009 following completion of engineering and feasibility studies and approvals.
- A decision on whether to proceed with a second nuclear power plant and a proposed energy corridor will depend on the review of feasibility studies.

Projects by Industry *$ millions*

	2009	2010+
Electricity	590	6,375
Transportation	433	1,492
Mining	325	1,390
Other public infrastructure	241	729
Manufacturing/other primary	199	8,675
Other services	149	174
Oil and Gas	147	1,299
Education and research	140	158
Health	112	220
Recreation/tourism	77	160
Housing	66	618
Environmental infrastructure	29	286
Total	**2,508**	**21,576**

Projects by Stage of Development *$ millions*

	2009	2010+
Underway/Approved	2,494	4,037
Near Approval	14	1,116
Under Development/Review	0	15,482
Proposal stage	0	941
Total	**2,508**	**21,576**

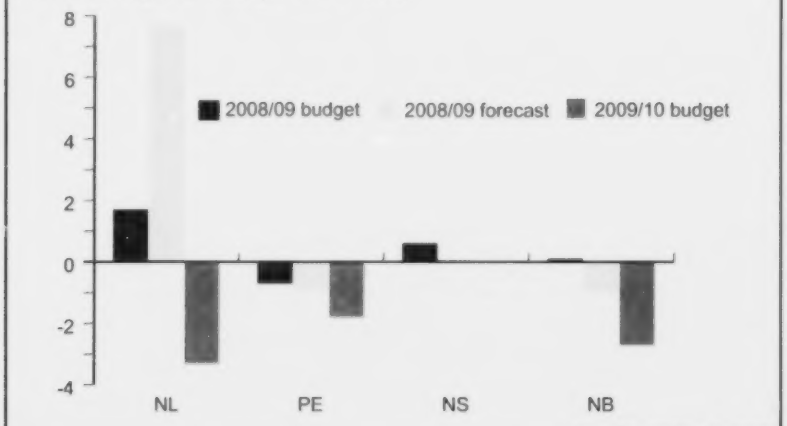
Atlantic Overview

The Recession Bites, Gently

The recession is clearly having an impact in Atlantic Canada with most economic indicators for early 2009 weaker than in 2008. However, the declines in the Atlantic region are generally not as sharp as those observed nationally.

In Atlantic Canada average employment in the first five months of the year is down 0.7% from a year earlier, compared with a 1.3% decline nationally. However, since the employment peak in October 2008, employment in the Atlantic region has fallen by 1.4%. Most of the job losses since last fall have been in the primary sector (e.g., mining and forestry); manufacturing; and wholesale and retail trade. Employment has also declined in financial services and real estate, reflecting the housing market slowdown. Housing starts in Atlantic Canada fell 23% in the first quarter (but by 46% in Canada).

Effects of the Recession Evident in Provincial Budgets
Provincial budget balances (per cent of GDP)



Source: Provincial budget documents

Although overall retail sales fell in the first quarter much of this reflected the impact of lower gasoline prices. Excluding gasoline sales, retail spending in the Atlantic region was 0.6% lower in the first quarter (compared with a 3.3% decline nationally). This reduction is explained by a sharp drop in purchases of motor vehicles: new car sales fell 17% in Atlantic Canada (similar to the national rate) with used car sales dropping 5%. Spending at other stores was higher than in 2008.

Atlantic exports have held up remarkably well so far. Export revenues (excluding energy products and ores) fell by only 1.3% in the Atlantic provinces, compared with a 15% drop nationally led by a collapse in motor vehicle exports. While Atlantic exports of wood products and motor vehicle parts show double digit declines, many other non-energy export revenues have increased from 2008. The energy sector has taken the biggest hit with lower energy prices the main contributor to a 32% drop in Atlantic energy export revenues.

Most forecasters predict that the worst of the recession is now behind us. Following steep declines in the last three months of 2008, output fell even faster in the first quarter, dropping by 5.4% (annualized) in Canada. Equity markets have recouped some of last year's losses and consumer confidence is starting to recover but it will still take time for output and employment to turn around. Real GDP is expected to fall further in the second quarter with both the U.S. and Canadian economies forecast to return to growth by the end of 2009.

Still, the recovery is likely to be weak and risks remain. While many indicators of the stress in financial markets show an improvement from last fall, particularly in terms of interbank lending, corporate bond spreads are still higher than before the crisis erupted and there are growing concerns about the impact of large fiscal deficits on bond yields. Similarly, U.S. home sales grew in April but house prices are still falling as delinquency rates reach record highs and housing inventories remain bloated. In Canada, personal bankruptcies soared 35% in the first quarter while the recent appreciation of the Canadian dollar could intensify pressures on business exporters.

Fiscal Deterioration

The recession has adversely affected Atlantic provincial finances with the three Maritime provinces forecasting weaker budget balances for fiscal 2008/2009 than a year ago and all four Atlantic provinces budgeting larger deficits or smaller surpluses for the current fiscal year.

The weakness in last year's provincial finances was due to higher than anticipated spending and pension contributions rather than a significant weakening in revenues. Newfoundland and Labrador posted a record surplus helped by much higher-than-expected offshore royalties and Atlantic Accord payments. The weakest element on the revenue side were corporate income tax receipts which fell $154 million, or 13%, below budget in Atlantic Canada in 2008/2009.

In the current fiscal year, most own-source revenues are expected to be lower with only Prince Edward Island predicting an increase in total own-source revenue. Across the region as a whole, own-source revenues are expected to fall by 11%, with significant reductions in resource revenues

and a 5% drop in personal income tax receipts. By contrast, federal transfers are higher across the region (aside from a decline in Newfoundland and Labrador's Accord payments).

On the expense side, there are generous increases in spending on health care and education; in addition, higher pension fund contributions amount to about $800 million across the four Atlantic provinces. Meanwhile provincial capital spending in Atlantic Canada is forecast to jump 48% as governments try to help stimulate their economies and access federal fiscal stimulus funding. ■

ATLANTIC ECONOMIC SNAPSHOT

Labour Markets

	Period	NFLD	PEI	NS	NB	Atlantic	Canada
Employment	Jan-Apr 09	215.6	68.6	453.3	365.6	1,103.1	16,898.4
thousands	Jan-Apr 08	222.6	70.6	451.0	366.2	1,110.4	17,101.1
	%change	-3.1	-2.9	0.5	-0.2	-0.7	-1.2
Unemployment Rate	Jan-Apr 09	14.7	12.0	8.9	9.0	10.3	7.7
percent	Jan-Apr 08	12.8	10.6	7.7	8.4	9.2	6.0
Unemployment Rate	Apr 09	14.7	12.4	9.2	8.9	10.4	8.4
percent (current month)	Apr 08	13.2	11.2	7.7	8.4	9.3	7.5
Participation Rate	Jan-Apr 09	59.1	67.5	64.5	64.8	63.6	67.4
percent	Jan-Apr 08	60.1	69.3	63.7	6.9	63.6	67.9

Consumer Markets

	Period	NFLD	PEI	NS	NB	Atlantic	Canada
Consumer Price Index (CPI)	Jan-Apr 09	113.5	115.5	114.3	112.0	n/a	113.7
2002=100, unadjusted (period avg.)	Jan-Apr 08	112.7	115.3	114.4	112.1	n/a	112.5
	%change	0.7	0.1	0.0	-0.1	n/a	1.0
Residential Permits	Jan-Mar 09	162.9	19.8	158.3	120.2	461.2	6,406.0
$ millions	Jan-Mar 08	115.0	22.0	206.1	108.2	451.3	10,796.3
	%change	41.6	-10.1	-23.1	11.1	2.2	-40.7
Urban Housing Starts	Jan-Apr 09	79.0	11.5	115.8	103.8	310.0	7,413.8
Units; unadjusted	Jan-Apr 08	62.3	20.8	219.3	121.5	423.8	14,627.3
	%change	26.9	-44.6	-47.2	-14.6	-26.8	-49.3
Rural Housing Starts	Jan-Mar 09	50.0	21.0	81.0	62.0	214.0	17,996.0
Units; unadjusted	Jan-Mar 08	32.0	24.0	86.0	102.0	244.0	26,034.0
	%change	56.3	-12.5	-5.8	-39.2	-12.3	-30.9
Retail Trade	Jan-Mar 09	1,732.8	417.3	2,920.6	2,384.3	7,455.0	101,320.4
$ millions	Jan-Mar 08	1,742.5	423.8	3,053.1	2,393.9	7,613.4	106,565.2
	%change	-0.6	-1.5	-4.3	-0.4	-2.1	-4.9

Industrial Markets

	Period	NFLD	PEI	NS	NB	Atlantic	Canada
Total Non-Energy Exports	Jan-Mar 09	513.9	206.9	887.4	823.5	2,421.7	71,507.1
$ millions, unadjusted	Jan-Mar 08	409.1	185.3	942.7	839.5	2,376.7	83,719.9
	%change	25.6	11.6	-5.9	-1.9	2.3	-14.6
Total Energy Exports	Jan-Mar 09	1,342.6	0.6	249.0	1,450.1	3,042.4	20,045.3
$ millions, unadjusted	Jan-Mar 08	2,097.0	0.6	344.4	2,054.9	4,496.9	29,521.8
	%change	-36.0	2.9	-27.7	-29.4	-32.3	-32.1
Manufacturing Shipments	Jan-Mar 09	1,104.4	365.2	2,237.7	3,355.9	7,063.2	125,640.2
$ millions	Jan-Mar 08	1,552.5	349.7	2,619.4	4,294.2	8,815.8	148,536.3
	%change	-28.9	4.4	-14.6	-21.8	-19.9	-15.4
Non-Residential Permits	Jan-Mar 09	42.2	51.2	75.3	130.7	299.4	6,186.5
$ millions	Jan-Mar 08	20.2	14.0	58.1	77.3	169.6	6,657.2
	%change	109.3	265.7	29.5	69.1	76.5	-7.1

Note: Seasonally adjusted unless otherwise noted (unadjusted)

Source: Statistics Canada

Newfoundland & Labrador

Current Conditions

Despite continued strength in the St. John's economy, the rest of the province is showing the signs of the recession. Employment is down 3.1% in the first four months of 2009, continuing a year-long trend downward. Despite a 1% drop in the participation rate, the unemployment rate increased 1.9 percentage points to an average 14.7% in the first five months of the year. However, the effects have not been evenly spread, with employment in St. John's up 5.3%. Most job losses have been in construction, manufacturing and retail trade, while significant gains have been seen in health care and social assistance.

"...the effects [of the recession] have not been evenly spread, with employment in St. John's up 5.3%."

Unemployment has led to a drop in retail spending, down 0.6% as of April. Most of the fall is due to a drop in car sales and gasoline prices. Excluding those categories spending actually increased 8%.

Housing starts continue to be strong, with urban starts up 27% in the first four months of the year. Although the employment situation may have a dampening effect on new construction as the spring and summer building season begins, both residential and non-residential building permits have increased strongly, indicating continued growth.

Energy exports and manufacturing shipments are down 36% and 29%, respectively, relative to the first quarter after declines in oil prices and production. Their levels have fallen off sharply after a peak last June. Non-energy exports are up relative to the first quarter of 2008, driven by higher iron ore production.

Mining

Despite the global economic downturn and a drop in nickel prices, Vale Inco has gone ahead with their plan to build a nickel processing facility in Long Harbour. The plant is expected to come online in 2013, with a total capital cost of $2.17 billion. It is expected to be the first in the mining industry to use hydromet technology for commercial purposes, and will produce 50,000 tonnes of nickel a year. Initial work on the site began in April. Elsewhere, layoffs continue in the mining industry amid low commodity prices and the global recession. Employment in primary industries, including mining, has dropped nearly 4% in the first four months of the year. On a positive note, Burin Minerals Ltd. has registered an undertaking with the province in order to reactivate the St. Lawrence Fluorspar Mine. If approved, construction is scheduled to begin by the spring of 2010, and full operations by the fall of 2011.

Energy

Nalcor Energy, Newfoundland and Labrador's energy corporation, has reached a deal that will see hydroelectricity wheeled through Quebec and then sold into the North American marketplace. Under the terms of a 1969 deal, a portion of the power generated at the Upper Churchill site in Labrador is available to Newfoundland and Labrador. This power is used primarily for domestic use and, prior to April 2009, any surplus was sold to Hydro-Quebec. That agreement with Hydro Quebec was not renewed this year, and now the surplus hydroelectricity will be sold to Emera Energy Inc., which will market the energy in Canada and the United States. The five-year agreement with Hydro Quebec will cost Newfoundland and Labrador $19 million per year in transmission fees. Between 130 and 250 MW will be available for sale, and according to Nalcor that translates into $40 million to $80 million in annual profits at current electricity prices.

StatoilHydro Canada announced in April that they have made a potentially important discovery in the Flemish Pass Basin 500 kilometres off of the east coast of Newfoundland. This is the first discovery on the east coast outside of the Jeanne D'Arc basin, where Hibernia, Terra Nova, White Rose and the new Hebron project are located. It was not disclosed whether the discovery was of oil or natural gas. If further appraisal of the site determines that it is economically viable to develop, the company said it could take 10-15 years before any production is possible.

Budget

Newfoundland and Labrador had a record-setting surplus in 2008/2009, which at $2.4 billion was nearly five times the $543 million

projected last year. Part of this boost was due to higher-than-expected offshore royalties from higher prices and production for oil. Revenues were also lifted by the inclusion of $1.1 billion of 2005 Atlantic Accord revenue recognition. This revenue, a result of a $2-billion advance payment under the Accord, is being recognized in 2008/2009 as the province won't qualify for 2005 Accord payments in the coming years.

In contrast to the large surplus, the government expects to plummet into a deficit of $750 million in the current fiscal year. Own source revenues are expected to decline nearly $1.3 billion (21%), due to lower offshore and mining royalties caused by lower prices and production. A few minor tax measures were also announced.

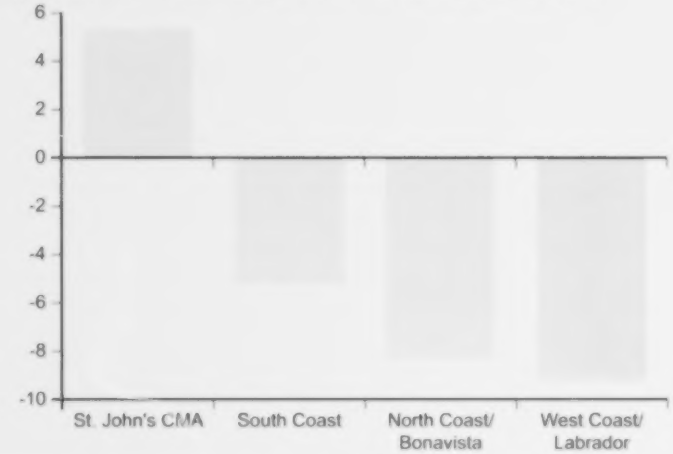
Total expenses are set to increase $660 million. Along with a pension top-up of $383 million due to the sharp drop in value of pension assets, a $228-million increase in health and community services spending is planned. Infrastructure spending will be another major expense, with a total of $800 million planned for the current fiscal year. Approximately $277 million of this will be for transportation infrastructure, $155 million for educational facilities, $160 million for health care facilities and equipment, and $103 million for municipal infrastructure. A return to a balanced budget is expected no later than 2011-2012.

Research and Development

In May the province launched the Research and Development Corporation (RDC), a Crown corporation with the mandate of strengthening "the focus, quantity, quality and relevance of research and development undertaken in the province and elsewhere for the long-term economic benefit of the province." The RDC will focus on sectors that are of strategic importance to the province, such as ocean technology and energy.

The RDC was allocated $25 million in the spring budget. Of this, $10 million is dedicated to the Industrial Research and Innovation Fund, which funds research conducted at the province's post-secondary institutions and not-for-profit research centres. The RDC will introduce two funding programs to increase industry-led R&D: R&D Vouchers provide up to $15,000 to help small businesses access research expertise and facilities; R&D Proof of Concept covers up to 75% of costs for early-stage R&D projects, to reduce the risk associated with commercialization.■

Employment Still Buoyant in St. John's, But Losses Elsewhere
Change in employment, Jan. - Apr. 2009 compared with the previous year



Source: Statistics Canada/APEC

Newfoundland & Labrador EconoClips

Company/Project/Status	Impact/Output	Comments
Ocean Technology Strategy **Released**	$28 million over five years	The provincial government released a five-year strategy "Oceans of Opportunity", which aims to accelerate development of the ocean technology sector.
Air Labrador **Layoffs**	100 jobs lost	The airline is shutting down a significant portion of its service in response to the current economic climate.
Scotsburn Dairy **Plant Closure**	up to 14 jobs lost	The milk production plant will relocate its processing activities from Corner Brook to a newer facility in Mount Pearl.

Prince Edward Island

Current Conditions

Although somewhat shielded from lower commodity prices, Prince Edward Island is feeling the effects of the recession. Employment has been relatively stable so far in 2009 after showing a steady downward trend throughout most of 2008. However, average employment is down nearly 3% year-to-date as of April, worse than the 1.2% national decrease. Despite a 1.8% decrease in the participation rate, the unemployment rate increased 1.5 percentage points to an average 12% so far this year. There were broad-based job losses in manufacturing and the service sector, while the largest gains were seen in public administration, and information and culture.

Exports have fared better than many other provinces, up 12% in the first quarter.

Job losses have resulted in reduced retail spending, down 1.5% in the first quarter. Much of the decrease came from large-ticket items like vehicles and furniture, as well as a drop in gasoline prices. Spending was also affected by an increase in food prices.

Total housing starts were down 48% in the first quarter as a result of fewer starts across all types of units, primarily in the Charlottetown area. Urban starts were down 45% as of April, near the 49% national average. Residential building permits were down 10% in the first quarter, a sign of fewer starts going forward, while non-residential permits ballooned 266%, driven by a large increase in factory permits likely connected to the Master Packaging plant expansion.

Exports have fared better than many other provinces, up 12% in the first quarter. Exports were helped by aerospace as well as higher potato prices. Manufacturing shipments increased over 4%, with gains in aerospace curbed by lower shipments for food and wood products.

Fishing

The lobster fishery has been hit hard by a drop in demand from the United States in the midst of a recession. Many fishermen are losing money due to low prices, which are currently hovering around three dollars a pound, approximately one to two dollars per pound less than in 2008. Some buyers have also been imposing periodic quotas due to an inability to sell lobsters quickly.

In response to the challenges facing the industry, the provincial government announced in May that it would invest $8 million in a plan to stabilize the lobster industry. It has committed to purchasing some surplus lobster through a third-party company, and a low-interest loan program to fishermen will be extended. The province is also seeking support from the federal government and the industry for the remaining elements, including a $4 million product development and marketing fund, and more flexibility in the Employment Insurance program.

The federal government disclosed in April that it would double the size of the Gulf shrimp quota to 426 metric tonnes and change from a year-to-year allocation to a permanent one. For the last decade the quota has been too small to make the industry viable on the island, so the P.E.I. Fishermen's Association sold it to processors. The Association announced in late April that it will be selling its increase of the quota, as it still remains short of what would make allow the industry to be profitable.

A recent decision by the Supreme Court of Canada ruled commercial fishing licences can be considered assets when settling bankruptcy claims. The PEI Lending Agency is now using this precedent to attempt to recoup some of the $60 million it has on loan to fishermen. Although currently only 7% of outstanding debts are overdue, this could increase given the challenges currently faced by fishermen.

Budget

The global economic slowdown led to a worse-than-expected fiscal situation in 2008/2009, causing shortfalls in personal and corporate tax revenues and a deficit of $41 million compared to a budgeted deficit of $35 million. Higher-than-expected health and

social spending also increased the deficit, as a result of a revised fee schedule for out-of-province procedures.

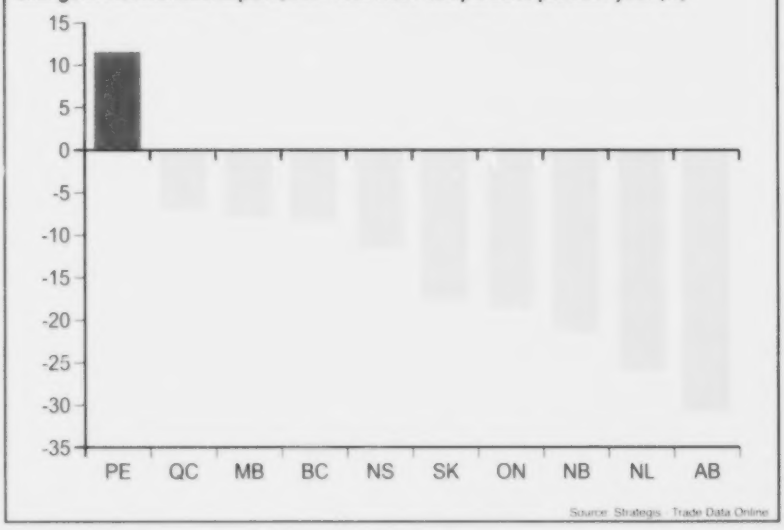
Due to broad increases in program spending, and a large adjustment to the public service pension plan, the province is projecting a deficit of $85 million for the current fiscal year. This would be the eighth deficit in the last nine fiscal years. The provincial GDP forecast for 2009 is 0.5%, in contrast to the major banks, which all predict a decrease in GDP. Given this assumption, personal and sales taxes revenues are expected to increase by a total of $21 million, despite a decrease in corporate income tax of $9 million. However, over 70% of the $89 million increase in total revenues will be from federal transfer increases, including an $18 million increase in equalization, a $28 million increase in infrastructure funding, and a $19 million increase in funds for labour market development.

The only tax increase announced was in the tobacco tax, which is expected to raise $3 million. The small business tax will be lowered to 1% by April 2010, after being lowered to 2.1% in April 2009. The small business income threshold will increase from $400,000 to $500,000.

Total expenditures are expected to increase $133 million (10%) in the coming fiscal year. Much of the expenditure increase will come from a $39 million adjustment to the civil service pension plan in response to the sharp drop in financial markets. Health and social services spending will increase by $32 million (6%), while education spending will increase by $33 million (12%).

Moody's recently affirmed their Aa2-stable rating of the province. The credit-rating agency stated the Island's debt, currently at $1.4 billion, is in line with other Atlantic provinces and is manageable, but it may have less fiscal flexibility than other provinces to deal with the ongoing downturn. ■

Prince Edward Island is the Only Province with Export Growth
Change in merchandise exports, Jan - Mar 2009 compared to previous year (%)



Source: Strategis - Trade Data Online

Prince Edward Island EconoClips

Company/Project/Status	Impact/Output	Comments
Summerside Wind Farm **Funding**	$9 million	The federal and provincial governments will invest a total of up to $9 million in Phase Two of the project. The total cost of Phase Two is estimated at $13.5 million and will see the purchase and installation of two wind turbines at the North St. Eleanor's site.
Vector Aerospace **Awarded Contract**	$170 million	Under the terms of the contract, Vector Atlantic will provide engine maintenance repair and overhaul for the Jazz fleet.
CBC **Layoffs**	6 positions	Two of the workers are taking early retirement and won't be replaced while the other four positions are being eliminated. In March, the broadcaster announced that about 393 jobs would have to be cut in its English-language service nationally to make up for an $85-million budget shortfall.

Nova Scotia

Current Conditions

The effects of the global recession are rippling throughout much of the Nova Scotia economy. Although average employment in the first four months of the year is up 0.5% over 2008, it has declined steadily since the third quarter of 2008. The unemployment rate increased 1.2 percentage points to an average of 8.9% for the year to April. Employment fared well in the Annapolis Valley and Halifax, increasing 4.5% and 3.3%, respectively, over the first four months of the year. However, Cape Breton and Southern Nova Scotia offset these gains with decreases of 5.7% and 3.6%. The largest job losses were seen in manufacturing, trade and business services while the largest increases were in professional services, education and public administration.

The manufacturing sector continues to suffer under the strain of the global recession.

Despite the employment increase, along with a 3% increase in wages and unchanged prices, retail spending dropped significantly in the first quarter, down 4.3%. Most of this drop was due to a sharp drop in spending on motor vehicles (-23%) in addition to the effect of lower gas prices.

Housing starts were down 36% in the first quarter, with much of that decrease coming from urban areas. Starts in Halifax dropped 35%, while urban starts overall decreased 47%. A reduction in residential building permits of 23% indicated a continued slowdown, while in contrast non-residential building permits increased 30% because of industrial projects.

Total exports in the province were down 12% in the first quarter, still less than the national decrease of 19%. Much of the decrease was due to a 28% drop in energy exports, which were affected by lower prices for natural gas and 21% lower production as of April. Manufacturing shipments were also down, led by a drop in plastics and rubber.

Corporate Cutbacks

The manufacturing sector continues to suffer under the strain of the global recession. The Keata Pharma plant in North Sydney closed in May, laying off 24 workers, after its parent company PharmEng International filed a "notice of intention" to protect the company from creditors. Bowater Mersey temporarily laid off 300 workers at its Bridgewater facility for five weeks beginning in June, citing current market conditions. This is the third such shutdown since Christmas. Aerospace company Pratt & Whitney laid off 45 in Halifax in April, due to a drop in demand for corporate planes. However, the industry was later the source of some positive news as Lockheed Martin announced in April it will hire at least 100 workers over the next five years, helped by a $1.8 million payroll rebate from Nova Scotia Business Inc.

The service industry in the province is seeing a decline as economic conditions spill over into consumer and business spending. For example, American Express closed their Halifax call centre in March and laid off 87 due to cutbacks in business travel. Despite the downturn, Flagstone Reinsurance Holdings is expanding in Halifax, hiring 80 over the next three years with the help of a $1.3 million payroll rebate from Nova Scotia Business Inc.

Renewable Energy

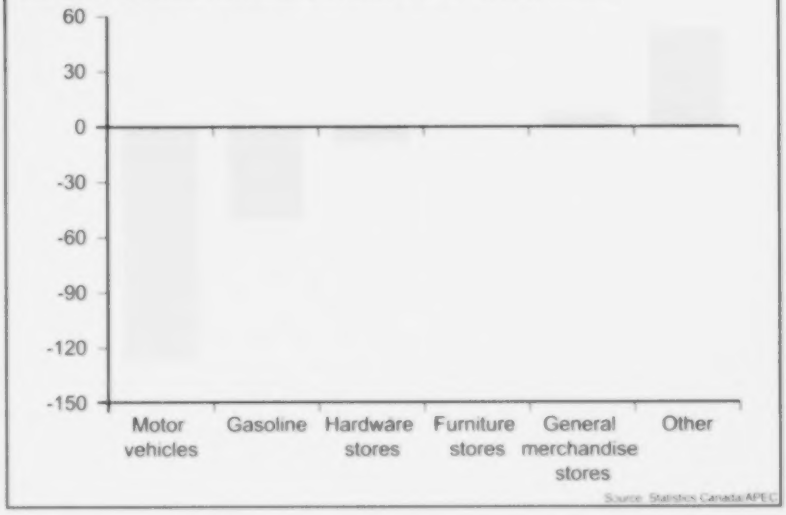
To meet the provincially mandated Renewable Energy Standard, Nova Scotia Power (NSP) applied in May for permission to purchase up to 60 MW of power from a biomass-fueled electrical generation facility, that would be developed by NewPage Port Hawkesbury and Strait Bio-Gen. NSP also recently purchased the development rights for the Nuttby Mountain wind farm from EarthFirst, which had sought creditor protection. Besides EarthFirst, other wind project developers have faced challenges from the tough financing environment, with one project behind schedule and two others in limbo.

Budget

The province's surplus for 2008/2009 came in at $22 million, much less than the $190 million budgeted. This was due in part to lower personal and corporate tax revenue as a result of the economic downturn. Offshore gas royalties were also lower than expected due to lower prices and production. On the expense side, assistance to universities was $257 million higher than anticipated as spending was reallocated to 2008/2009 to relieve spending pressures in 2009/2010.

The spring budget projected a surplus of $4 million for the current fiscal year, although this required the use of offshore accord money previously committed to paying down the debt. Revenues are expected to increase slightly as federal transfers cover for a sharp fall in provincial revenue. Own source revenues are expected to decrease by $302 million, including $263 million less for offshore royalties due to lower prices for natural gas. Corporate tax revenue is expected to fall by $33 million due to the effects of the global recession. Federal source revenues are expected to increase by $326 million, which includes an increase of $105 million in Tangible Capital Asset cost-shared revenue as a result of stimulus funding announced as part of the 2009 federal budget. Other federal transfers are projected to increase by $124 million due to additional funding for the Gas Tax Transfer, Labour Market Development Agreements, as well as for housing projects.

Lower Car Sales and Gasoline Prices Pull Down Retail Sales
Change in retail sales, Nova Scotia, Q1 2009 over Q1 2008 ($ millions)



Source: Statistics Canada/APEC

Program spending is set to increase by $100 million, with a $335 million increase in health and community services alone, much of that through capital spending. This was offset by a $385 million decrease in assistance to universities due to the reallocation mentioned above.

The budget was not passed before an election was called for June 9th. A new budget will be required but limited changes are expected for this fiscal year.■

Nova Scotia EconoClips

Company/Project/Status	Impact/Output	Comments
J.D. Irving Ltd. **Land Sale**	70,000 hectares	The land spans Yarmouth, Digby and Annapolis counties. So far a few small parcels of land have been sold.
Louisiana Pacific **Layoffs**	70 jobs lost	The company makes wood products for export, and has stated the layoffs at their East River location are due to restructuring.
Great Canadian Gaming Corp. **Layoffs**	33 jobs lost	Since the beginning of March, 25 have been laid off at the Sydney Casino and 8 at the Halifax Casino due to the economic slowdown. The company expects to hire in the summer/fall.

New Brunswick

Current Conditions

The impact of the recession in New Brunswick is clearly evident, with most economic indicators decreasing. Employment in the province continues the downward trend begun in October, with average year-to-date employment down 0.2% as of April and the unemployment rate up 0.6 percentage points to an average 9.0%. The economic regions of Moncton-Richibucto and Edmunston-Woodstock saw employment growth of 4% and 5%, respectively, while Campbellton-Miramichi saw a decline of 10% over the same period. Most year-to-date job gains were concentrated in public administration and education, while significant losses were seen in manufacturing and various services.

To mitigate the effects of the recession, the provincial government is using government funds to support companies hiring more workers.

Despite an increase in wages of about 3% and virtually unchanged price levels, retail spending decreased 0.4% in the first quarter. Much of the decline is due to lower gas prices, although spending on new vehicles has dropped nearly 8%. Excluding autos and gas, retail spending has increased 5%, with much of that increase coming from a nearly 8% increase in food prices.

Urban starts were down nearly 15%, which is substantially better than the national decline of 49%. Total starts in the first quarter were down 1% in Saint John, 30% in Moncton and 46% in Fredericton. A first quarter increase in residential and non-residential building permits of 11% and 69%, respectively, compares well to national declines of 41% and 7%, respectively, and point to future growth.

Lower energy prices drove down energy exports 29% in the first quarter. However, non-energy exports decreased only 2% compared to 15% nationally, as a decrease in fertilizers and lead outweighed broad-based increases in food and forest products. Manufacturing shipments in the province were down nearly 22% in the first quarter, and the sector has experienced a significant decline in employment so far in 2009. Precision Nuclear laid off 75 employees in February, after the Mactacquac plant was forced to shut down when Atomic Energy of Canada Ltd. cancelled a contract. Both Precision Nuclear Inc. and its sister company Precision Metal Works have gone into receivership.

Job Creation

To mitigate the effects of the recession, the provincial government is using government funds to support companies hiring more workers. Dolphin Steel Systems Inc. will hire ten new workers, helped by a $900,000 loan guarantee by Business New Brunswick. Other manufacturers supported in recent months include Lawrence Wood Products Ltd., creating nine positions, and Howell Ventures Ltd., creating three jobs. The federal government is also contributing directly to job creation. Industrial Rail Services Inc. won a $99 million contract from Via Rail in May that will result in 135 additional employees. Approximately one third of that money came from the federal government's economic action plan to stimulate the economy.

Primus announced that they will create 113 new jobs at its Edmundston call centre, helped by an $850,000 forgivable loan from the provincial government. Insurance firm First Canadian Title will hire 50 workers at its Moncton office with the assistance of $310,000 from the province. Barrett Xplore Inc., the Woodstock-based high-speed Internet provider, is getting a $10-million loan guarantee from the provincial government, primarily as working capital for construction of a rural high-speed Internet network. The expansion will result in up to 100 direct hires.

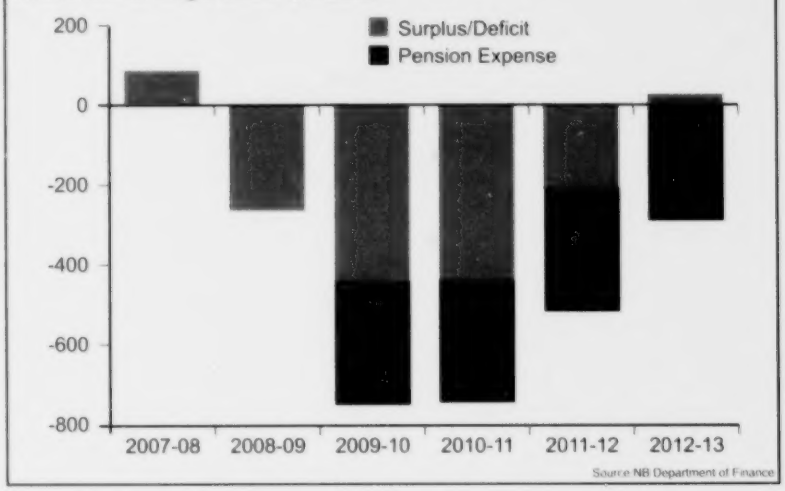
Budget

The recent economic downturn transformed the government's budgeted $19 million surplus in 2008/2009 into a $265 million deficit. This was due to the allocation of an additional $308 million towards program expenses, as well as an $87 million shortfall in mineral tax revenue due to a rapid fall in zinc prices in the latter half of the year.

This year's budget included major tax reforms. The four personal income tax brackets, ranging from 10% to 18%, will be merged into two by 2012. The first bracket (up to $37,893) will be taxed at 9%, and all incomes above will be taxed at 12%. The corporate tax rate will also be lowered from 13% to 12% in July, and down to 8% by 2012. The High Energy Use Tax Rebate will be extended for an additional year and a Forestry Industry Investment Tax Credit will be offered for one year. The government also announced that they will consult with industry to introduce an incentive for the energy sector by the 2010 taxation year.

Own source revenues are expected to decrease by $186 million in the current fiscal year due in part to a $100 million decrease in personal income tax revenue, much of it resulting from new tax measures. However, federal revenues are set to increase by $114 million, due mainly to a $105 million increase in equalization payments. Total expenditures are expected to increase $436 million in the current year, much of that for health and education, including a $135 million increase for the Maritime Provinces Higher Education Commission due to pre-funding, and $33 million on post-secondary education, training and labour. An additional $300 million will be contributed to the public pension plan to compensate for the steep decline in financial markets, while the previously announced 2-year $1.2 billion infrastructure plan will result in $661 million in capital spending in the current fiscal year.

Government Plans to Return to Budget Balance by 2012-2013
New Brunswick budget balance ($millions)



Source NB Department of Finance

The government also announced a plan to return to balanced budgets over a four-year period, although this does not include an annual $300 million in pension costs. The government predicts that revenue will return to the same growth track prior to the downturn by 2011/2012. Measures will also be taken to curtail spending and "realize further efficiencies in the delivery of public services."■

New Brunswick EconoClips

Company/Project/Status	Impact/Output	Comments
Sitel **Layoffs**	275 jobs lost	The Bathurst call centre laid off the workers in May and will lay off the remaining 50 when the facility closes in July.
Ambulance NB **Hires Paramedics**	Approximately 92 new hires	Hired to help address approximately 130 vacancies in the province. Most positions will be filled by new graduates of the Atlantic Paramedic Academy while the remainder will come from other jurisdictions.
Provinical government **Layoffs**	Up to 700 jobs cut	300 unfilled positions will remain unfilled, while departments have been given the opportunity to find savings in other areas that allow them to avoid layoffs.

The Atlantic Provinces Economic Council (APEC) presents

Outlook 2010

Atlantic Canada's Business Outlook Conference

Now in its 15th year, APEC's Business Outlook Conference provides essential economic intelligence to guide your strategic plans and an opportunity to join in the discussion of Atlantic Canada's most important business issues.

This year's conference theme:

Are We There Yet?

Governments are using every possible means to help their economies recover from the most severe global recession in 50 years. But much uncertainty remains around the timing and strength of the recovery, and the longer-term impacts of the economic crisis.

Although Atlantic Canada was not affected as severely as other Canadian provinces by the initial impacts of the recession, the region is now facing higher government deficits, a frugal U.S. consumer and a more restrictive global financing environment.

APEC's Outlook Conference will address these key questions:

- When will economic conditions improve and what will be the key drivers behind the recovery?
- What long-term impacts will the current recession have on Atlantic Canada's economic prospects?
- How are Atlantic businesses positioning themselves to take advantage of new growth opportunities?

Keynote Speakers

Charlottetown: **Richard Homburg,** Chair & CEO, Homburg Invest Inc.
Saint John: **G. Michael Arnett, President,** Canadian Tire Retail
St. John's: TBA
Halifax: **Ellen Costello,** President & CEO, Harris Financial Corp.

November 9, 2009: Charlottetown - Delta Prince Edward
November 10, 2009: Saint John, NB - Hilton Saint John Trade & Convention Centre*
November 12, 2009: St. John's - Delta St. John's
November 13, 2009: Halifax - Pier 21

*Simultaneous translation in Saint John

Register online and view the full program at the Outlook 2010 website
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